

# BEST NEWSLETTER

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## **Thrift Savings Plan (TSP) Changes for 2006**

Good news! Beginning in Jan 06, employee contributions to a regular TSP account are no longer limited to a set percentage each pay period. Employees covered by the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS) may contribute the full Internal Revenue Service (IRS) annual maximum of \$15,000 for 2006.

As a result, beginning 25 Dec 05, Air Force-serviced civilian employees may submit an election to contribute any whole percentage (between 1 and 100 percent) of basic pay **or** whole dollar amount each pay period.

**Caution:** If you designate a percentage and the amount exceeds remaining salary after mandatory and other voluntary deductions that occur ahead of TSP contributions, then only the remaining salary will be contributed to TSP. If you designate a whole dollar amount and it exceeds remaining salary, **no** TSP contributions will be made, and if you are FERS, no Agency Matching Contributions will be received. If this happens, you will need to submit a new election for either a lower dollar amount or a percentage. No contributions will be withheld from pay until the new election is effective.

Elections submitted 25 Dec 05 - 7 Jan 06 will be effective 8 Jan 06, with the first deduction occurring on pay date 27 Jan 06 (25 pay dates remaining in 2006 if submitted during this timeframe).

If you wish to contribute the full \$15,000 by dividing your contributions evenly throughout the year, then you may designate \$600.00 (\$15,000 divided by 25 pay periods). However, employees who are currently contributing will need to first subtract the contribution for pay date 13 Jan 06 from \$15,000, then divide the remaining amount by 25, the number of pay periods left in the year, and round the result to the next higher dollar. This will ensure FERS employees receive Agency Matching Contributions each pay period.

Employees may use the Elective Deferral Calculator on the TSP website at [www.tsp.gov](http://www.tsp.gov) to determine the amount to contribute each year. This calculator will assist FERS employees in avoiding loss of Agency Matching Contributions. Remember also – you may change your contribution election at any time during the year.

**For all FERS employees:** In order receive maximum Agency Matching Contributions throughout the entire year, you must contribute at least 5 percent of basic pay every pay period. Keep this in mind when determining how much to contribute. Once the maximum contribution limit of \$15,000 is reached, your employee contributions and Agency Matching Contributions will be suspended for the remainder of the year.

Air Force-serviced employees will submit their TSP contribution elections/changes via the web-based Employee Benefits Information System (EBIS) or the Benefits and Entitlements Service Team (BEST) automated phone system (see newsletter heading for web address and phone number).

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## THRIFT SAVINGS PLAN

### Catch-Up Contributions for 2006

Eligible employees may sign up to make TSP catch-up contributions for 2006 beginning 11 Dec 05. You are eligible if you are already age 50 or will turn 50 in 2006; are in a pay status; and not in the 6-month non-contribution period following a financial hardship in-service withdrawal. In addition, you must certify that you will make (or have made) the maximum "regular" employee contributions of \$15,000 by the end of 2006. (This includes contributions to both a civilian and uniformed services TSP account or another eligible employer plan (e.g., another 401(k) plan) and the combined contributions will reach \$15,000 by the end of 2006.)

Catch-up contributions automatically stop the last pay date in the calendar year or upon reaching the maximum catch-up dollar limit for the year, whichever comes first. Because the IRS annual elective deferral limit for catch-up contributions changes each year, eligible participants must submit a new catch-up contribution election each year.

The maximum catch-up contribution for 2006 is \$5,000. When submitting your enrollment election, designate a whole dollar amount to be withheld each pay period. If you designate an amount that exceeds your net pay, no catch-up contributions will be deducted. To divide contributions evenly over the year, divide \$5,000 by the number of pay dates remaining in the year. There are 26 pay dates in 2006.

Air Force-serviced employees will submit catch-up contribution enrollment elections electronically via the web-based Employee Benefits Information System (EBIS) or the BEST automated phone system (see newsletter heading for web address and phone number). Elections submitted 11 - 24 Dec 05 will become effective 25 Dec 05, with the first contribution withheld on pay date 13 Jan 06. Elections submitted 26 Dec 05 - 7 Jan 06 will be effective 8 Jan 06, with the first contribution withheld on pay date 27 Jan 06 (there are only 25 pay dates left in 2006 for elections submitted 25 Dec 05 - 7 Jan 06).

Additional information on TSP catch-up contributions is available on the BEST website at [www.afpc.randolph.af.mil/dpc/best/Catch-Up.htm](http://www.afpc.randolph.af.mil/dpc/best/Catch-Up.htm), including a chart showing the number of pay dates left in the year, based on when the election is submitted and is effective.

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### Annual Basic Pay for TSP Purposes

With the lifting of percentage contribution limits for TSP it is important that you are aware of what is included in basic pay for TSP purposes. It is the amount of pay based on the rate fixed by law or administrative action for the position held by an employee and is the same as basic pay for Federal civilian retirement purposes.

The following elements of pay are included in the determination of basic pay for TSP purposes, if actually received:

- Locality-based comparability pay as authorized by 5 U.S.C. 5304
- Environmental and night differentials for wage employees (5 U.S.C. 4343(c)(4) and 4343(f))
- Premium pay for standby time under 5 U.S.C. 5545(c)(1)
- Premium pay for law enforcement officers (5 U.S.C. 5545(c)(2), i.e., admin uncontrollable overtime)
- Availability pay (LEAP) for criminal investigators as authorized by 5 U.S.C. 5545a
- Physicians' comparability allowance as authorized by 5 U.S.C. 5948
- Overtime compensation for customs officers as authorized by 5 U.S.C. 8331(3)(G)
- Additional compensation paid to employees serving in the Republic of Panama (22 U.S.C. 3657)

The following elements of pay and types of payments are **not** basic pay for TSP purposes:

- Other overtime pay
- Awards, bonuses, and allowances (includes danger pay)
- Foreign and domestic post differential for General Schedule, and foreign post differential for wage employees
- Severance pay
- Retroactive pay granted to a retired or deceased employee pursuant to a wage survey
- Lump-sum payment for leave, and Voluntary separation incentive payment (buyout)
- Workers' compensation payments from the Office of Workers' Compensation Programs
- Sunday, holiday and military pay
- Supervisory differentials
- Night differentials for GS and GM employees

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## HEALTH INSURANCE

### FEHB Open Season Ends 12 Dec 05

The last day to enroll or change health plans or options in the Federal Employees' Health Benefits (FEHB) program is 12 Dec 05. During the open season, employees may also change to self-only or cancel their coverage, or waive or begin participation in premium conversion, without having a qualifying life event.

OPM has their handy plan comparison tool available again this year. It is available at [www.opm.gov/insure/06](http://www.opm.gov/insure/06). Once there, click on "Compare Plans by Zip Code."

Remember, Air Force-serviced employees will enroll or submit enrollment changes electronically via the web-based Employee Benefits Information System (EBIS) or the BEST automated phone system (see newsletter heading for web address and phone number).

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### Other FEHB Information/Updates

**Official Plan Brochure Correction Notice – Mail Handlers.** The Office of Personnel Management and the Mail Handlers Benefit Plan have issued the following official plan brochure correction notice: "The 2006 official Plan brochure (RI 71-007) for the Mail Handlers' Benefit Plan contains an error pertaining to mental health and substance abuse benefits. Page 58, Section 5 (e) states that no deductible applies to out-of-network benefits for outpatient professional services to treat mental health/substance abuse. This statement is incorrect; out-of-network outpatient professional services are subject to the mental health/substance abuse calendar year deductible."

**Medicare Prescription Drug Coverage Information.** From 15 Nov 05 to 15 May 06, Medicare beneficiaries will have the opportunity to enroll in Medicare's new prescription drug plan, called "Medicare Part D." According to the Office of Personnel Management (OPM), most Federal employees will not need to enroll in the Medicare drug program, since all FEHB health plans have prescription drug benefits that are at least equal to the standard Medicare prescription drug coverage. You should, however, be aware of the benefits offered. Be sure to read the Medicare Part D Disclosure Notice contained in your FEHB health plan brochure. Additional information is available on the Social Security website at [www.socialsecurity.gov/prescriptionhelp/index.htm](http://www.socialsecurity.gov/prescriptionhelp/index.htm). Also, if you help a family member or friend make health care decisions, be sure to read the Medicare and Medicaid Services pamphlet at [www.medicare.gov/Publications/Pubs/pdf/11126.pdf](http://www.medicare.gov/Publications/Pubs/pdf/11126.pdf).

**New Dental/Vision Benefits Expected to be Available in December 2006.** The Office of Personnel Management (OPM) has announced that dental and vision benefits will be available to Federal employees and retirees in December 2006, as required by the Federal Employee Dental and Vision Benefits Enhancement Act of 2004. The open season enrollment for this new benefits program will coincide with the annual FEHB open season in Nov/Dec 06. Eligible individuals will be able to choose benefits that cover dental care, vision care, or both. Coverage can be elected for the enrollee only, the enrollee plus one other person, or the enrollee and his or her family. Federal employees who enroll in the new dental and vision benefits next year will pay all premium costs, which are expected to be favorable since OPM is using the government's "purchasing power" to obtain affordable and favorable group rates for employees and retirees.

It may be six months or longer before specifics of the program are available, to include eligibility requirements.

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### Calendar of Events

**FEHB Open Season Ends 12 Dec 05**

**FSA Open Season Ends 12 Dec 05**

**TSP Catch-Up Contribution Enrollment for 2006 – available beginning 11 Dec 05**

**TSP Percentage Limits Eliminated Jan 06 – elections for any percentage or amount accepted beginning 25 Dec 05**

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## FLEXIBLE SPENDING ACCOUNT (FSA)

### FSA Open Season Ends 12 Dec 05

The last day to enroll in the Flexible Spending Account (FSA) program for calendar year 2006 is 12 Dec 05. The FSA program lets you set aside tax-free money to pay for out-of-pocket health and dependent care expenses. Eligible employees may contribute a maximum of \$5,000 to a Health Care FSA, and \$5,000 to a Dependent Care FSA (\$2,500 if married and filing separate tax returns). The minimum that may be contributed to either account is \$250.

To enroll, visit the FSAFEDS website at <https://www.fsafeds.com>, or call SHPS toll-free at 1-877-372-3337 (TTY 1-800-952-0450). Enrollment is not automatic – you must enroll each year during the open season. Specific information on the FSA program, including a calculator to help estimate your FSA contributions and potential annual tax savings, is available on the FSAFEDS website.

Note: If you enroll in a High Deductible Health Plan during the FEHB open season and are eligible for a Health Savings Account, you may not enroll in a general Health Care FSA. However, you may be eligible to enroll in a “limited expense” Health Care FSA. The limited expense Health Care FSA is new, and available to eligible employees beginning in Jan 06. See the “FSA Program Changes” article for more information.

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### FSA Program Updates

**Limited Expense Health Care FSA.** Employees who enroll in one of the new High Deductible Health Plans with a Health Savings Account are not eligible to have a **general** Health Care FSA account. However, beginning in 2006, these individuals may enroll in a “limited expense” Health Care FSA. Eligible expenses are limited to vision and dental care services and products. Enrollment in the limited expense Health Care FSA will take place in Jan 06. Eligible individuals will receive a letter from their health plan advising they are eligible and providing a special phone number to call to conduct the enrollment. The maximum amount that can be contributed to a limited expense Health Care FSA is \$5,000.

**FSAFEDS Requiring Electronic Funds Transfer (EFT) for Reimbursement in 2006.** All FSA participants will be required to receive reimbursements via EFT, commonly known as direct deposit, for the upcoming 2006 benefit period. This will reduce the time it takes to receive reimbursements. FSAFEDS will request your EFT information during the re-enrollment process if you choose to participate in the FSA program for 2006.

If you do not have a bank, or your bank will not accept an EFT, you must accomplish your 2006 FSA enrollment with FSAFEDS by phone. To enroll without EFT and/or discuss non-EFT verification, contact an FSAFEDS Benefits Counselor, toll-free, at 1-877-372-3337, TTY 1-800-952-0450, Monday through Friday, 9 a.m. to 9 p.m. Eastern Time.

**FSAFEDS Includes over-the-Counter Items!** Did you know that a Health Care FSA account covers over-the-counter expenses like aspirin, cold medicine, band-aids, sunscreen, and contact lens solution? It's true! You can use a Health Care FSA account to pay for specific medical expenses such as prescription medicine and doctor co-payments, and also many every day, over-the-counter items that help keep you and your family healthy. To view a detailed list of eligible over-the counter medicines and products, click this link: [https://www.fsafeds.com/forms/OTC\\_QRG000.pdf](https://www.fsafeds.com/forms/OTC_QRG000.pdf).

**FSA Use-It-or-Lose-It Rule.** If you participated during 2005, you have until 15 Mar 06 to incur eligible expenses that may be reimbursed from your Health Care or Dependent Care FSA account(s), resulting in less chance to forfeit funds. If you sign up for FSAFEDS for 2006, you will have from Jan 06 until 15 Mar 07 to incur eligible expenses.

**Paperless Reimbursement.** Paperless reimbursement provides FSA participants with the option of having claims submitted to FSAFEDS directly by your FEHB plan (provided they participate in the paperless reimbursement program). There are currently 9 FEHB plans participating in paperless reimbursement. Visit the FSAFEDS website for more information: <https://www.fsafeds.com/forms/paperlessreimb.pdf>.

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